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# EXAMINING THE EFFECT OF DIRECT MAIL ON CASINO CUSTOMER VISITATION AND VALUE

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# EXAMINING THE EFFECT OF DIRECT MAIL ON CASINO CUSTOMER VISITATION AND VALUE

## **Cover Page Footnote**

This study was carried out with statistical support from Dr. Tom Granoff.

## Introduction

For many years, casino managers have collected data on players, including wagering information and demographic information, and have used this information to help manage customer relationships (Watson and Kale, 2003). This information, captured in the casino management system, allows casino marketing professionals to develop a profile of each player and to design a CRM reinvestment program with a goal of building loyalty through encouraging repeat visits and increasing overall customer profitability (Klebanow, 2009). The reliance upon database marketing to strengthen market share and customer loyalty has been increasing (Lucas et al., 2005) yet, according to Kale (2003) the industry has experienced around a 70% failure rate in the implementation of CRM. Yet, casino managers continue to allocate a greater portion of marketing dollars to customer loyalty programs than do any other segment of the hospitality industry (Klebanow, 2009).

The number of U.S. states with legalized casino gambling continues to increase (American Gaming Association [AGA], 2017) and the economic environment has continued to be slow to recover in the gaming industry since 2008 (Eadington, 2009; AGA 2013). With profit margins steadily decreasing, casino managers are anxious to better understand the relationship between current CRM practices and casino profitability (Klebanow, 2009). Casino leaders begin to buy revenue and erode profitability when the player reinvestment rate rises above 35%, as the natural tendency during a difficult economy is to increase marketing spending (Klebanow, 2009). The casino reinvestment rate to maintain customer loyalty increased from 18-28% in 2005 to 25-43% by 2009, and it remains unknown if CRM programs, which comprise a significant portion of the casino reinvestment rate, have a positive correlation with customer loyalty (Klebanow, 2009). Lucas et al. (2002) indicated even once-profitable players can become an unattractive investment in an environment with increased player-acquisition costs.

The basic principle of CRM is not only to send mail to a database of customers but also to understand and build an intimate relationship with the customer (Fitzgibbon and White, 2005). Agrawal (2004) indicated key dimensions of a CRM program are maintaining loyal and profitable customers, which can allow a company's marketing team, through a more targeted marketing program, to communicate with and reward customers more effectively and may lead to customers who are likely to buy more often. Redemption of a CRM touch point can also create a better understanding of the customer and can lead to an improved retention rate (Chen and Popovich, 2003). Understanding every communication that a company has with a patron is important to managing a customer relationship through CRM (Fitzgibbon and White, 2005). An effective CRM program

performance, as discussed by Shafia et al. (2011), will increase customer loyalty, increase market share, and expand customer value.

Understanding the definition of loyalty with a company is also important. Many company leaders measure loyalty over time by reviewing the amount and frequency of purchase (Noone et al., 2003). Customer loyalty is an important part of customer retention, and the most profitable customer is a satisfied customer (Clow and Baack, 2010).

The purpose of the study was to determine if relationships existed among direct mail CRM programs and casino loyalty. This study had the unique opportunity to compare customer visitation and value data prior to the implementation of a direct mail CRM program, to the same customer visitation and value data, after the implementation of a direct mail CRM program. This allowed for a look at both the advertising and the promotional value of direct mail CRM.

### Casino Database Marketing

Casino managers in the commercial casino industry use the term player reinvestment to describe all the marketing expenses used to foster loyalty, encourage repeat visitation, and encourage increased spending per visit for patrons who are members of casino reward programs (Klebanow, 2009). Over time, casino managers are able to collect demographic information as well as spending habits and patterns for each patron enrolled in the reward or loyalty program. Casino managers are also able to track the reinvestment methods used for each patron as well as the dollar amount reinvested. Klebanow (2009) encouraged casino professionals to employ a higher level of marketing discipline by initiating and monitoring the optimal player reinvestment, which requires a strategic approach to the marketing and relationship strategies employed by casino managers.

According to Watson and Kale (2003), 20% to 40% of most organizations' customers are either not profitable or only marginally profitable, and 20% of the customers may account for approximately 80% of organizations' profitability. Thus, understanding lifetime value and the profitable segments of an organization's customers and correctly applying CRM principles can increase the profitability of an organization (Watson and Kale, 2003). A complete understanding of a casino customer, through an effective CRM strategy can translate into customer loyalty, leading to customer retention and increased profitability (Hsieh, 2009).

Researchers, focusing on the impact of casino marketing efforts, have shown an increase in revenue but often at the expense of profitability when analyzing the impact of player reinvestment programs (Lucas and Brewer, 2001; Lucas and Santos, 2003; Lucas et al., 2005; Suh and Lucas, 2011; Suh et al., 2014). Suh (2012) found no relationship between the monetary value of a coupon and

increased revenue. The profitability of casino marketing efforts, through the use of promotions or direct mail, remains unknown (Lucas, 2004).

Lucas and Spilde (2017) examined the impact of slot free play on gaming behavior, indicating such reward redemption could be indicative of customer loyalty. While many researchers have examined the impact of specific types of casino marketing programs as well as incentives on player behavior, little research has been done to understand a customer's loyalty behavior when the direct mail piece does not motivate an offer redemption thus limiting the impact of the piece to that of an advertising role. In an advertising study by Hing et al. (2014), existing Internet gamblers showed an increase in gambling behavior when exposed to advertising as well as to various inducements or incentives used to promote Internet gambling. The initial focus of this study was to examine gambling behavior when exposed to direct mail as a form of advertising (when no redemption occurs), yet with the availability of the data, the study went further to investigate the impact of a direct mail on loyalty, studying both the customer who redeemed an offer and those who did not redeem an offer.

### Customer Relationship Management (CRM)

In early marketing paradigms, marketing managers focused on simply satisfying customer needs, evolving to serving customer wants and then to customer desires, customer demands and expectations, customer preferences, and customer retention (Agrawal, 2004). This marketing evolution led marketing managers to CRM (Agrawal, 2004). Chen and Popovich (2003: 672) defined CRM as "a combination of people, processes, and technology that seeks to understand a company's customers". Customer relationship management involves identifying companies' best customers and retaining customers using satisfaction and retention mechanisms (Kennedy, 2006).

As a customer-focused strategy, CRM fulfills and builds customer relationships and customer loyalty to generate maximum profit (Agrawal, 2004; Cuthbertson and Laine, 2004; Schierholz et al., 2007; Shafia et al., 2011). To generate maximum profit, CRM must balance the investment into customers while fulfilling customer needs and creating value for customers (Schierholz et al., 2007; Shafia et al., 2011). Customer relationship management makes it possible for company leaders to create profitable, long-term relationships with customers that create value for both the organization and the customer (Kim et al., 2012).

Effectively used, CRM can reduce the marketing expenditures of a company by eliminating waste resulting from untargeted campaigns and eliminating excessive interactions (Pedron and Saccol, 2009). Agrawal (2004) indicated a customized CRM strategy focused on profitable customers might reduce

customer churn and increase profits. Company performance and enhanced customer loyalty can be attributable to CRM (Hillebrand et al., 2011).

Nairn (2002), indicated the focus of CRM reward systems should be retaining profitable customers rather than acquiring new customers, as retaining profitable customers will lead to the highest profit potential for the organization. Cuthbertson and Laine (2004) indicated the implementation of CRM must be correct or it can fail, and failure can be costly to organizations in terms of the dollars spent on hardware and software infrastructure and the rewards given to customers to build program loyalty.

According to Mohammed and Rashid (2012), there is very little research on CRM in the hospitality industry, even though use of the strategy has increased in the hospitality and tourism sector. Mohammed and Rashid (2012) assumed the increased focus on CRM as a strategy is due to the increasing costs of customer acquisition, the increased level of customer expectations, the increased number of price-sensitive travelers, and the loss of brand loyalty in uncertain markets. In the hospitality industry, where most products and services are similar, organizational leaders use CRM to develop long-term relationships with customers that can lead to a higher level of profitability (Luck and Lancaster, 2013).

Commercial casino managers use direct mail as a form of player reinvestment to communicate offers and promotions to various segments of casino loyalty programs. Designing market segmentation necessitates an understanding of loyalty (Velázquez et al., 2011). The value of the offers is dependent upon the value of the customer and helps to build loyalty and encourage repeat visitation (Klebanow, 2009). In the regional and local casino markets, the direct mail offers are often sent monthly, are personalized, and are often based on the recency, frequency, monetary value (RFM) of the customer. As casino managers announce CRM initiatives, direct mail is the primary tool for CRM implementation (Kale, 2003), with call centers and e-mail mentioned for only select groups of customers. Kale (2003) reported 20% growth in profitability for Harrah's, a national gaming company, after company leaders implemented a CRM strategy based on data analysis of the customer transactional database.

## Customer Loyalty

Researchers define and measure customer loyalty in many ways. The general definition of customer loyalty is the commitment, intention, or action of purchasing a product or service repeatedly now and in the future (Chu, 2009; Juan and Yan, 2009; Khan, 2013). The repetition leads to customer loyalty, which is the ultimate goal of an organization. The current study includes a composite definition of behavioral and attitudinal loyalty used by Bowen and Chen (2001), where loyalty refers to customers who have a commitment to repurchase.

Mascarenhas et al. (2006) discussed behavioral and attitudinal loyalty describing behavioral loyalty, or divided loyalty, traditionally including purchase and usage behavior. The level of satisfaction a customer is experiencing influences this type of loyalty. Company leaders often measure behavioral loyalty by comparing previous purchases of the company brand to purchases of competitors' brands. Attitudinal loyalty, or strong loyalty, is a consistent and ongoing relationship with the brand often based on the customers' preference for the brand. Mascarenhas et al. (2006) indicated behavioral and attitudinal aspects of loyalty are most critical to market share and long-term sales. Fitzgibbon and White (2005) explained both attitudinal and behavioral loyalty lead to the ability to maintain higher profits in a company.

Marketing actions to increase loyalty to maintain the customer relationship is key in any marketing program (Velázquez et al., 2011). According to Prentice (2013), casino marketing management has determined, through relationship marketing strategies, that the retention of loyal customers is more profitable than the acquisition of new customers. Watson and Kale (2003) indicated the gross profits of a casino can significantly increase if certain customer relationships continue for a longer period of time. Khan (2013) noted it can cost five to six times more to acquire a new customer than to maintain an existing customer, and an increase in even 5% of customers retained can increase profits from 25% to 125%. Vinod (2011) indicated it costs three times more to acquire a customer than to retain a customer, whereas Juan and Yan (2009) indicated it is five times costlier to attract a new customer than to retain a customer. A loyalty program must maximize the profitability of the company, which can involve linking loyalty to profitability through recognizing the patronage of customers and rewarding them according to their level of patronage (Kumar and Rajan, 2009).

## Hypotheses

Figure 1 depicts the conceptual hypothesized model for this study. The hypotheses in this study related to CRM program variables that can be used as measures of loyalty. According to Chen and Popovich (2003), CRM applications can serve as measures of customer loyalty and profitability, which can result in increased revenues and decreased operational costs for many companies.

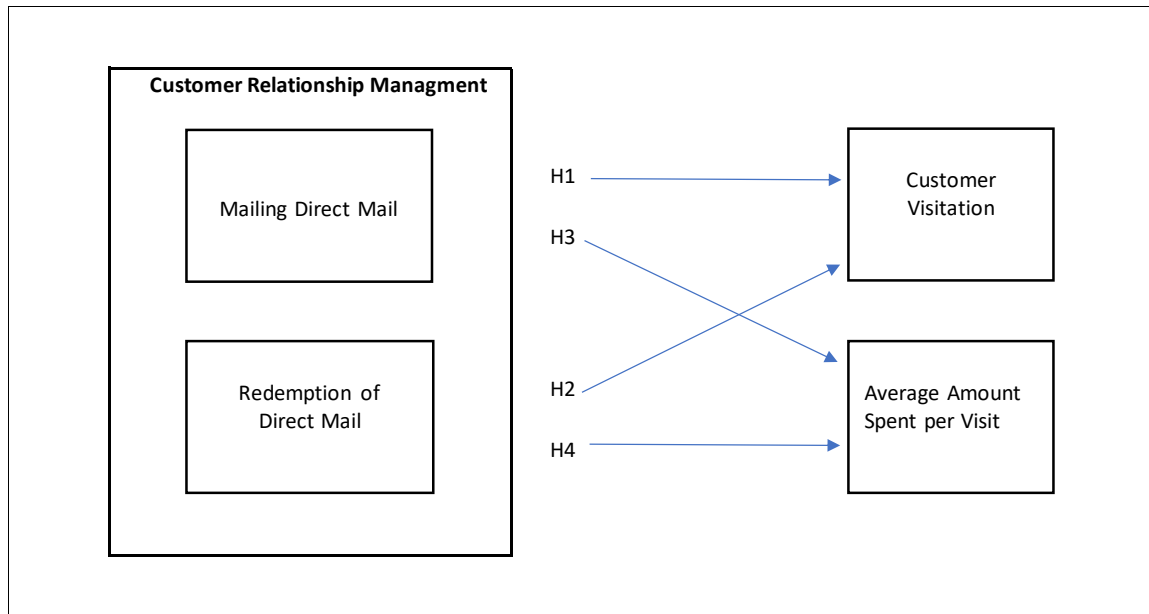


Figure 1. Detailed Research Model

The first and third hypothesis were used to explore the relationship between direct mail and customer loyalty, in Hypothesis 1 as frequency of visitation (CV) and in Hypothesis 3 as the average amount spent per visit (ADT). ADT has the advantage of generating more precise information for understanding the profitability value of a patron which, according to Fitzgibbon and White (2005), can lead to a more successful CRM program. For both of these hypotheses, the predictor variable, the mailing of direct mail (DMM), was investigated from the perspective of the ability of direct mail to act as an advertisement (without offer/coupon redemption).

H1<sub>0</sub>: There is no significant correlation between the mailing of direct mail (DMM) and increased casino customer frequency of visitation (CV).

H1<sub>A</sub>: There is a significant correlation between the mailing of direct mail (DMM) and increased casino customer frequency of visitation (CV).

H3<sub>0</sub>: There is no significant correlation between the mailing of direct mail (DMM) and increased average amount spent per visit (ADT).

H3<sub>A</sub>: There is a significant correlation between the mailing of direct mail (DMM) and increased average amount spent per visit (ADT).

The second and fourth hypothesis were used to explore the relationship between direct mail with a coupon redemption and customer loyalty, in Hypothesis 2 as frequency of visitation (CV) and in Hypothesis 4 as the average amount spent per visit (ADT).



H2<sub>0</sub>: There is not a significant correlation between the redemption of direct mail (DMR) and increased casino customer visitation frequency (CV).

H2<sub>A</sub>: There is a significant correlation between the redemption of direct mail (DMR) and increased casino customer visitation frequency (CV).

H4<sub>0</sub>: There is no significant correlation between the redemption of direct mail (DMR) and an increase in the average amount spent per visit (ADT).

H4<sub>A</sub>: There is a significant correlation between the redemption of direct mail (DMR) and increased average amount spent per visit (ADT).

## Methodology

The study included a quantitative research methodology with a correlational design using only secondary data. The predictor variables for this study were the mailing of a direct mail CRM piece (DMM), and the redemption of a coupon within a direct mail CRM piece (DMR), as captured in the casino database. Mailing a direct mail piece to a patron implied receipt of the piece by the patron, as the casino database captures all returned mail in the individual patron account as no mail and these were excluded from the population. The criterion variables included frequency of visits (CV), and average amount spent per visit (ADT). All data for the current study, including (a) direct mail mailing and (b) direct mail redemption, as well as (c) visitation frequency and (d) average amount spend per visit, were secondary data.

The source of the secondary data used for the study came from a proprietary database owned by a regional casino located in a Midwestern market. The president of the parent organization granted permission through written consent to use the data for the study. A casino representative obtained the population of secondary data from the organizational database to ensure the confidentiality of all individuals by providing the data in an Excel spreadsheet without providing any individual names or addresses to the researcher. As the study only included secondary data and did not require human participation, an informed consent form for individuals was not necessary. Initially, 9,688 casino customers met the criteria for this study, but the exclusion of 120 customers because of possible missing or corrupt data, including an age that was not valid (under 21 or over 100), and no indication of mailing in Period 2, left a total sample of 9,568.

## Data Analysis Plan

Data analysis involved downloading the data into SPSS statistical software using the unique customer number preassigned to the secondary data by the casino representative. The process involved conducting correlational analysis to examine the relationship of the predictor variables of DMM and DMR on the criterion

variables CV and ADT. The use of a correlation matrix allowed for multiple views of variables. The study followed Fitzgerald et al., (2004) guidelines in determining a positive correlation of 0.25 as a zero to weak relationship, 0.25 to 0.50 as a weak to moderate relationship, 0.50 to 0.75 as a moderate to strong relationship, and 0.75 to 1.00 as a strong relationship. As the study was exploratory, a positive correlation of 0.25 and a negative correlation of -0.25 and higher were an acceptable level of prediction and relationship, as even a weak to moderate relationship should lead to further exploration.

The statistical analyses for determining the correlational relationship between the criterion and the predictor variables were the Wilcoxon matched pairs tests for Hypotheses 1 and 3 and both a Kruskal-Wallis test and a Spearman correlation for Hypotheses 2 and 4. The predictor variable for Hypotheses 1 and Hypotheses 3, DMM, was nominal or dichotomous, defined as Period 1, beginning December 15, 2009 and ending November 30, 2010, with no direct mail received and Period 2, beginning December 1, 2010 and ending December 31, 2011, with direct mail received. The criterion variables for Hypotheses 1 and 3, CV and ADT, were ratio data that measured the distance between the levels of visitation and ADT for Period 1 versus Period 2. The predictor variable for Hypotheses 2 and 4, DMR, was nominal or dichotomous, defined as customers who redeemed at least one direct mail piece versus customers who did not redeem any direct mail pieces.

The study involved an attempt to address the criterion variables for Hypotheses 2 and 4, CV and ADT, by calculating a gain score based on subtracting the customer's Period 1 CV and ADT from the customer's Period 2 CV and ADT. Using both the Wilcoxon matched pairs test for predictor and a Kruskal-Wallis test accompanied by a Spearman correlation was suitable due to the predictor variables of DMM and DMR being nominal or dichotomous and the measurement of the criterion variables of CV and ADT being on a ratio level (Steinberg, 2011). The correlational coefficient generated by this statistic measured the strength of the relationship between the predictor and the criterion variables (Steinberg, 2011).

## Data Analysis

There were slightly more women in the sample (51.7%) than men (48.3%). The ages of the customers ranged from 22 to 96 ( $M = 57.45$ ,  $SD = 14.58$ ) with 71.9% being 50 years of age or older which is fairly typical in a casino environment. Most participants (84.9%) were residents of the state in which the casino is located, and 73.9% lived within 100 miles of the casino. Just over one-fourth (26.1%) of the sample travel over 100 miles to visit the casino. The number of redeemed offers ranged from 0 to 14 ( $M = 1.39$ ,  $SD = 2.51$ ).

The distribution of data in Table 1 indicates the number of customer casino trips per month (CV) during the two study periods. Trips per month was more

suitable than the actual number of trips because the length of the study was different in Period 1 (about 11 months) from in Period 2 (about 13 months). The CV per month was similar in Period 1 ( $M = 1.29$ ) and Period 2 ( $M = 1.31$ ). Examination of the distribution of the CV percentiles in Table 1 revealed pronounced positive skews in the data that signified nonnormal distributions. Nonparametric statistical tests were suitable to test the hypotheses.

Table 1

*Distribution of Number of Trips (CV) per Month Data*

Statistic	Period 1	Period 2	Difference <sup>a</sup>
<i>M</i>	1.29	1.31	0.02
<i>SD</i>	2.15	2.19	1.45
Minimum	0.18	0.15	-22.12
Maximum	25.00	28.31	14.61
1st percentile	0.18	0.15	-4.50
5th percentile	0.18	0.15	-1.72
25th percentile	0.27	0.23	-0.30
50th percentile	0.55	0.54	-0.03
75th percentile	1.27	1.31	0.27
95th percentile	5.18	5.31	1.86
99th percentile	11.36	11.20	5.12

Note.  $N = 9,568$ .

<sup>a</sup> Difference = Period 2 – Period 1.

The distribution of data in Table 2 indicates the average amount spent per visit (ADT) during the two study periods. Mean ADT values were similar in Period 1 ( $M = 90.66$ ) and Period 2 ( $M = 88.30$ ). As with the trips per month data, an examination of the distribution of the percentiles revealed pronounced positive skews in the data that signified nonnormal distributions. Nonparametric statistical tests were suitable to test the hypotheses.

Table 2

*Distribution of Data for Average Amount Spent Per Visit (ADT) in US\$*

Statistic	Period 1	Period 2	Increase <sup>a</sup>
<i>M</i>	90.66	88.30	-2.36
<i>SD</i>	128.09	128.63	83.27
Minimum	0.19	0.15	-1,975.70
Maximum	3,212.45	2,550.56	1,333.20
1st percentile	2.20	2.01	-241.34
5th percentile	6.53	5.37	-98.77
25th percentile	23.29	19.90	-20.61
50th percentile	51.45	47.57	-1.95
75th percentile	109.64	106.75	16.03
95th percentile	301.48	298.58	94.26
99th percentile	585.83	596.04	244.23

Note. *N* = 9,568.<sup>a</sup> Increase = Period 2 – Period 1.

### Statistical Analysis

Table 3 displays the results of the Wilcoxon matched pairs test comparing the number of trips per month to the casino between the two time periods. A Wilcoxon test was more suitable than the more common paired *t* test due to the nonnormal distribution of the data. CV during Period 1 was 1.29, and during Period 2 was 1.31. The number of trips to the casino during Period 2 was statistically significantly higher than during Period 1 ( $z = 3.06, p = 0.002$ ). This finding rejected the null hypothesis  $H_{10}$ .

Table 3

*Wilcoxon Matched Pairs Tests Comparing Number of Trips per Month (CV) and Average Amount Spent Per Visit from Period 1 to Period 2*

Variable and period	<i>M</i>	<i>SD</i>	<i>z</i>	<i>p</i>
Trips per month (CV)			3.06	0.002
Period 1	1.29	2.15		
Period 2	1.31	2.19		
Average amount spent per visit			6.96	0.001
Period 1	90.66	128.09		
Period 2	88.30	128.63		

Note. *N* = 9,568.

Table 4 displays the results of the Kruskal-Wallis test and a Spearman correlation comparing the increase in the number of trips to the casino between the two time periods when a customer redeemed a direct mail offer. These nonparametric tests were more suitable than a one-way analysis of variance and a Pearson correlation due to the nonnormal data distribution. The number of trips per month to the casino statistically significantly increased ( $p = 0.001$ ) based on the number of redeemed direct mail pieces, as indicated by the ascending pattern of the means as well as by the Spearman correlation ( $r_s = 0.25$ ). This combination of findings rejected the null hypothesis  $H_{20}$ .

Table 4

*Kruskal-Wallis Tests and Spearman Correlation Comparing Increase in Number of Trips per Month (CV) and Increase in Average Amount Spent Per Visit (US\$) Based on Number of Redeemed Direct Mail Pieces*

Variable and number of redemptions	<i>n</i>	<i>M</i>	<i>SD</i>	$r_s$	$\chi^2$	<i>p</i>
Trips per month (CV)				0.25	675.01	0.001
None	5,796	-0.17	1.22			
1 time	1,189	-0.05	1.03			
2-3 times	1,226	0.09	1.16			
4-6 times	720	0.46	1.70			
7+ times	637	1.31	2.81			
Average amount spent per visit				0.17	271.30	0.001
None	5,796	-9.59	80.52			
1 time	1,189	3.44	88.47			
2-3 times	1,226	5.19	86.23			
4-6 times	720	18.66	93.36			
7+ times	637	14.36	70.70			

Table 3 displays the results of the Wilcoxon matched pairs test comparing the mean ADT value between the two time periods. As before, a Wilcoxon test was more suitable than the more common paired  $t$  test due to the nonnormal distribution of the data. According to the findings on Table 3, the mean ADT value was statistically significantly lower ( $z = 6.96$ ,  $p = 0.001$ ) in Period 2 than in Period 1. Given that the research hypothesis predicted a correlation, this finding failed to reject the null hypothesis  $H_{30}$ .

A Kruskal-Wallis test and a Spearman correlation, displayed in Table 4, were suitable for comparing the increase in ADT between the two time periods when a customer redeemed a direct mail offer. As before, these nonparametric tests were more suitable than a one-way analysis of variance and a Pearson correlation

due to the nonnormal data distribution. The ADT values significantly increased ( $p = 0.001$ ) based on the number of redeemed direct mail pieces, as indicated by the ascending pattern of the means as well as by the Spearman correlation ( $r_s = 0.17$ ). This combination of findings rejected the null hypothesis  $H_{40}$ .

In summary, data analysis rejected the null hypothesis for Hypothesis 1 (increases in frequency of customer visitation and direct mail as a form of advertising), Hypothesis 2 (increases in frequency of customer visitation and direct mail redemption), and Hypothesis 4 (increases in average amount spent per visit and direct mail redemption). Data analysis failed to reject the null hypothesis for Hypothesis 3 (increases in average amount spent per visit and direct mail as a form of advertising).

## Conclusions and Recommendations

The focus of this quantitative research study was the relationship between direct mail CRM and customer loyalty in a regional U.S. casino market. The results are organizationally relevant as they confirm the underlying theory of direct mail CRM programs. Based on the research findings of this study, CRM had a positive relationship with customer loyalty when customer loyalty refers to frequency of visits. The rejection of the null hypotheses 1 and 2 supported this conclusion, which was consistent with the study conducted by Long et al. (2013), who found a positive relationship between CRM and customer loyalty. However, in the study conducted by Long et al. (2013) the behavior of the employee and the relationship development with the customer ranked higher in contribution to the effectiveness of the CRM program.

When customer loyalty refers to average amount spent per visit, the research was inconclusive. This is due to the failure to reject Hypothesis 3 indicating no correlation existed between the mailing of direct mail, or viewing direct mail as a form of advertising, and the average amount spent per visit. Additionally, although the null was rejected for Hypothesis 4, the redemption of a direct mail piece and the average amount spent per visit, the correlation was weak. However, the weak correlation in the findings for Hypothesis 4 were supported in a study conducted by Liu (2007) which found that the customer loyalty program increased the level of profitability for customers. However, the customer loyalty program had different effects on customer profitability based on previous customer behavior, with light and moderate buyers increasing in profitability yet heavy buyers remaining flat during the analysis period.

Direct mail CRM programs comprise a significant portion of the customer reinvestment rate of a casino and the purpose of the program is to increase customer loyalty. The typical definition of loyalty at a casino is an increase in customer visitation and customer spending. It appears that the effect on customers receiving

direct mail could lead to an increase in visitation and an increase in revenue and this is a positive indication for management. The number of customers in a casino database can range from tens of thousands to millions depending on the size and age of the casino. Applying even a slight increase in frequency of visitation to these current visitation numbers could lead to increased revenue. Although the sample for this study was just under 10,000 customers representing over 12,000 visits, the population of customers receiving direct mail at this casino is significantly higher. Based on the findings from this study, if each additional customer visit increases revenue by the amount of the daily average amount spent (ADT), which in this study for Period 2 was an average of \$88.30 per person per visit, the increased revenue number to the casino could be significant. A minimal increase of 1,000 customer visits would increase revenue by an average of \$88,300, an increase of 10,000 customer visits would increase revenue by an average of almost one million dollars (\$883,000). This finding supported the purpose and effectiveness of CRM as customers who received the direct mail visited more frequently and generated more revenue than did those not exposed to the CRM program.

The research also found that the higher the number of direct mail pieces redeemed, the higher the increase in the number of visits. As company leaders typically adopt CRM programs to build and maintain profitable customer relationships, the findings of this research indicate a CRM program becomes more effective as customers continue to redeem offers. Additionally, the average amount spent per visit, seen with the redemption of four or more direct mail pieces, increased. The higher the number of direct mail pieces redeemed, the higher the increase in the average amount spent per visit. This indicates the effectiveness of a CRM program increases as consumers engage in the CRM program and build a higher level of experience and trust with the company, possibly indicating a link with customer loyalty.

The statistics indicated a relationship existed between the redemption of direct mail from a CRM program and customer loyalty when defined as frequency of visitation, although the correlation was weak. The Spearman correlation of 0.25 indicated only 6.3% of the increase was attributable to the redemption of the direct mail pieces. As a result, most of the variance in the results was not due to the direct mail piece. Additionally, there are other aspects of the direct mail piece that could impact redemption, such as the offer, the timing of the offer, the design and size of the piece as well as extraneous events such as an economic downturn or a competitive offering at the same time (Clow and Baack, 2010), none of which were factors in this study.

Conventional wisdom and intuition suggest that the offers within a direct mail piece are an important determinant that could affect the redemption of the direct mail piece. A study on direct mail coupon redemption conducted by Bawa (1996) reinforced this assumption with findings that indicated that as the coupon

face value increases, the likelihood of redemption increases. Based on these findings, it is possible to assume the offers presented to the customer could have affected this correlation. A weak offer with little value to the customer could elicit a weaker response than a stronger offer with a higher value to the customer. For example, an offer of a discounted meal may not be as appealing as an offer of a free meal, or an offer of \$5 cash may not be as appealing as an offer of \$50 cash. In summary, although the research findings supported the effectiveness of a CRM program on customer visitation, the coupon offer, which was not a factor in this study, could have affected the weak correlation.

Correlational studies are statistical investigations to determine if relationships exist and the strength of relationships between variables. A researcher of a correlative study does not determine or prove cause and effect and does not describe the size or magnitude of the relationship. A relationship existed between the mailing and the redemption of direct mail pieces and customer loyalty defined by frequency of visits based on the rejection of three of the four null hypotheses in this study. This conclusion is organizationally relevant as it supports the basis of the direct mail CRM program. Direct mail CRM programs comprise a significant portion of the customer reinvestment rate of a casino and the purpose of the program is to increase the loyalty of the customer to the casino. The typical definition of loyalty at the casino is an increase in customer visitation.

The findings of this study have significant implications for scholars, practitioners, and leaders. The findings also contribute to the literature on loyalty programs and CRM methods, as well as the use of CRM programs in the casino industry. A certain and apparent need exists for further research in the area of CRM program effectiveness, specifically in the casino industry. Further research within the area of direct mail redemption and understanding the influence of offer value on that redemption may result in more insightful findings. The current study's results did not indicate a relationship existed with direct mail as a form of advertising and customer value. Further research within the casino and other industries may yield different results.

The findings of the study have significant implications for business practitioners and leaders in the casino business. Casino leadership in local or regional casinos can further investigate the relationships presented in this study to review existing loyalty programs and perhaps revise marketing strategies and expenditures. Understanding that direct mail CRM programs can have a positive impact on customer visitation, whether customers redeem an offer or not, could lead to decisions not to remove non-responders (those customers not redeeming coupons over a specific period of time) from the direct mail CRM program. Direct mail CRM also has the benefit of being able to be effectively tracked to determine acquisition and maintenance costs per customer, which is a difficult practice with many other forms of advertising. Additionally, marketing personnel in the casino



industry may need to adjust their definition of loyalty from one set purely on trip profitability to one of lifetime value.

The current study provides insight into the relationship between direct mail CRM and customer loyalty; however, the study was subject to limitations. The study was limited to using data from only one regional casino. Casinos within the local, regional and destination markets, as well as casinos within different regions, can differ in terms of customer behavior and customer demographics. The data from the casino were limited to comparing only Period 1 data with Period 2 data, which spanned only 2 years. Another limitation was the limited generalizability to other hospitality and entertainment industries.

Researchers need to continually research and understand the relationship between direct mail CRM programs and customer loyalty. This understanding will allow leaders of CRM programs to modify the programs to meet the needs of the business and the customer in a way that benefits the organization profitably. Modification is important, as customer reinvestment costs and competition for the customer continues to increase.

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